

Third-Party Contributions

Proposed Policy

MassDOT Board
MBTA Fiscal & Management Control Board

March 12, 2018



Overview

- MassDOT and the MBTA both invest hundreds of millions of capital dollars each year in modernizing their existing assets and constructing new infrastructure.
- The agencies have a pressing interest in making every capital dollar stretch as far as possible
- MassDOT/MBTA has increasingly been looking to third parties – municipalities, institutions, private entities, and others – to contribute resources to help accelerate implementation and close funding gaps, particularly for Expansion projects.
 - Approximately 13% of the \$17.4 billion in the 2018-22 CIP is targeted for Expansion investments
- Staff has solicited input from the Boards on how to move forward with a third-party contribution policy and process.
- The idea for such a policy originated when MassDOT entered into agreements with the Cities of Somerville and Cambridge for a total contribution of \$75 million to the costs of the Green Line Extension project. As part of the agreement, MassDOT committed to consider a universal policy related to third-party contributions.



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Statement of Policy

- Some projects (classified in the Capital Investment Plan as Expansion or sometimes Modernization projects) bring with them particularly localized benefits, which can be defined and some of which can be considerable
- Under present practice, none of these benefits are harnessed to help pay for locally beneficial Expansion projects
- MassDOT/MBTA staff will partner with municipalities and major project-area stakeholders to develop cooperation agreements
- Contribution types and amounts will reflect the needs and circumstances of particular projects and particular communities of third-party stakeholders
- Where appropriate, MassDOT and the MBTA will make stakeholder contributions an element of project prioritization
- The policy would apply to both roadway and transit projects



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Putting the Policy into Practice: Budgets and Finance Plans

Under the policy, MassDOT/MBTA would:

- Advance the development of detailed project budgets and finance plans earlier in the process of planning a project than is currently done
- Identify any project elements that particularly benefit third parties – especially those outside, or those ‘non-participating,’ in the core project scope – that will be the subject of negotiation about appropriate contributions between the agencies and the third-party beneficiaries
- Conduct negotiations about a Cooperation and Contribution Agreement following the completion of the 25% design phase of project development, at which point project design and costs can be more clearly understood



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Putting the Policy into Practice: Negotiations

Under the policy, MassDOT/MBTA would:

- Focus on the core scope of each project and only advance elements that can be clearly defined as necessary to meet the agency responsibilities for safety, efficiency, and reliability and that are within the stated Purpose and Need of the project
- Advance identified enhancements or project elements with clearly separable localized benefits only with the financial support of third parties
- Conduct negotiations about shared financial responsibilities based on project scopes and their definitions of core vs. non-core elements



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Appendix

Current Practice

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Non-Commonwealth-Owned Roadway and Trail Projects

- **Current Practice:** For projects on municipally-owned facilities that are administered by the MassDOT Highway Division, municipalities are currently responsible for funding all design and right-of-way acquisition costs.
 - Municipalities are also required to sign a '110% agreement,' in which they commit to fund most construction costs overruns above 10% that can be attributed to the design and right-of-way acquisition processes.



Commonwealth- and MBTA-Owned Roadway, Trail, and Transit Projects

- **Current Practice:** MassDOT/MBTA do not require third-party contributions of any sort for state-and federally-funded projects on Commonwealth- and MBTA-owned facilities.
- **Current Practice:** In some instances, MassDOT/MBTA negotiate directly with land owners and other institutions for the construction of new infrastructure, often as part of the MEPA or Section 61 processes.



Bridges

- **Current Practice:** Regardless of ownership, MassDOT/MBTA do not require third-party contributions for any elements of bridge projects.



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